

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UAL Corporation,) No. 02 B 48191
) Chicago, Illinois
) 9:30 a.m.
Debtor.) November 18, 2005

TRANSCRIPT OF PROCEEDINGS BEFORE THE
HONORABLE EUGENE R. WEDOFF

APPEARANCES:

For the Debtors: Mr. James Sprayregen;
Mr. Marc Kieselstein;
Mr. David Seligman;
Mr. Erik Chalut;
Mr. Todd Gale;

For the Creditors Committee: Mr. Fruman Jacobson;
Ms. Carole Neville;

For the City of Chicago: Mr. Matthew Gensburg;

For the U.S. Trustee: Mr. Stephen Wolfe;

For Verizon Capital: Mr. William Rochelle;

For OurHouse: Ms. Gia Colunga;

For Wells Fargo Bank, N.A.: Mr. Frank Top;

For PBGC: Mr. Joseph Boyle;

Appearances (Continued):

For UAL Loyalty Services: Mr. Andrew Rosenman;
For Disney: Mr. Michael Stenglein;
Pro se: Ms. Barnita Vann;

Court Reporter:

Amy Doolin, CSR, RPR
U.S. Courthouse
219 South Dearborn
Room 661
Chicago, IL 60604.

1 THE COURT: We're taking it out of
2 order so --

3 MR. KIESELSTEIN: That is 45, Your
4 Honor.

5 THE COURT: This one is about as long
6 as the last one. If you would like to sit down while
7 I read it, you might be more comfortable.

8 Wells Fargo Bank Northwest N.A., in
9 its capacity as Class A pass through trustee of the
10 1997-1 EETC transaction, has moved for
11 reconsideration of an order entered on August 26,
12 2005 granting a motion by the debtors to enforce the
13 automatic stay. The order granted the motion by
14 voiding a sale of certain equipment notes issued by
15 or on behalf of United Airlines, Inc., that were
16 secured by 14 aircraft now being operated by United
17 without permanent financing in place.

18 The order was based on a determination
19 that United had a beneficial interest in certain of
20 the equipment notes that were sold by virtue of its
21 ownership of certificates issued by trusts that held
22 the notes, and that this beneficial interest brought
23 the notes within United's bankruptcy estate,
24 subjecting them to the automatic stay.

25 In asking for reconsideration of this

1 order, the bank points to authority for the
2 proposition that the beneficiary of a trust does not
3 have an interest in trust property sufficient to
4 bring the property within the beneficiary's
5 bankruptcy estate, at least in situations where the
6 beneficiary cannot direct the trustee in dealing with
7 the property. This authority is persuasive.

8 Section 541(a) of the Bankruptcy Code
9 in defining property of the estate includes all legal
10 or equitable interests in property that the debtor
11 has at the commencement of the case, and all such
12 interests that the estate acquires after case
13 commencement. However, the estate's interest in
14 property is limited to the scope of its interest
15 under applicable nonbankruptcy law.

16 For example, Section 541(d) provides
17 that if the debtor holds, quote, "only legal title
18 and not an equitable interest," close quote, in
19 property, the property, quote, "becomes property of
20 the estate only to the extent of the debtor's legal
21 title to such property, but not to the extent of any
22 equitable interest in such property that the debtor
23 does not hold," close quote.

24 The converse is also true. Where a
25 debtor has only a limited beneficial interest in

1 property held in trust, without a right to control
2 the property, only the debtor's limited interest
3 becomes estate property, excluding the right to
4 control. Lyons v. Federal Savings Bank, in re Lyons,
5 193 B.R. 637, 645, Bankruptcy Court for the District
6 of Massachusetts, 1997 -- excuse me, 1996.

7 An example makes it clear why this
8 rule should prevail. Imagine a situation in which
9 income-producing property has been conveyed to a
10 managing trustee in trust for several beneficiaries
11 under a trust indenture that directs the trustee to
12 make prudent investments of the trust res. If one of
13 the beneficiaries files a bankruptcy case, the
14 managing trustee cannot stop managing the property on
15 behalf of all of the beneficiaries, even though the
16 automatic stay, prevents, among other things, quote,
17 "any act to exercise control over property of the
18 estate," close quote. 11 USC Section 362(a)(3).

19 Indeed, the very authority cited by
20 United for the proposition that the res of a trust
21 becomes property of a beneficiary's bankruptcy estate
22 came to that conclusion only after finding that the
23 beneficiary did in fact control the property in
24 question. In re Stowell, 232 B.R. 823, 826,
25 Bankruptcy Court for the Northern District of New

1 York, 1998.

2 In the present situation, United as
3 the holder of certificates of beneficial interest in
4 trusts owning equipment notes, had no direct right to
5 control the notes, but only those rights accorded by
6 the relevant trust agreements. Therefore, only those
7 contractually defined rights entered its bankruptcy
8 estate and were protected by the automatic stay. The
9 res of the trust remained under the control of the
10 relevant pass through trustees, not part of United's
11 bankruptcy estate.

12 Accordingly, the bank's motion for
13 reconsideration will be granted, and the order of
14 August 26, 2005 will be vacated. However, the bank
15 is not entitled, as it requests, to a denial of the
16 motion by United that generated that order. United's
17 motion sought to void the sale of the equipment notes
18 on alternate grounds, only one of which was ruled on.

19 United's principal ground for seeking
20 an order voiding the sale of the equipment notes was
21 that the sale violated a post-petition adequate
22 protection agreement between United and the bank.
23 That aspect of the motion, as the court noted in
24 first considering it, involves questions of contract
25 interpretation that may need to be addressed further.

1 Accordingly, the vacation of the
2 August 26th order properly has the effect of
3 reinstating United's motion, docket number 12191, and
4 it will be necessary to discuss the resolution of
5 that motion in conjunction with United's adversary
6 proceeding, 05 A 01758, dealing with control of the
7 equipment notes affected by the motion.

8 MR. KIESELSTEIN: Your Honor, can I
9 raise one question as to your ruling? Your Honor, I
10 understand the rationale where the beneficial holders
11 are an enumerable legion of people who are holders
12 who don't have any ability to exercise control and
13 are, in essence, passive investors, if you will. I
14 think our situation is quite different, because
15 United, as the holder of all of the B certificates,
16 had already issued its notice to buy out the As. In
17 fact, nine of the ten-day notice period had already
18 run. That right would have, Your Honor, if
19 exercised, given them complete control over the A
20 notes, the A trustee and the A remedies.

21 THE COURT: That's precisely why I
22 have reinstated the original motion. It may well be
23 that the rights accorded under the beneficial
24 interest that United possessed gave United a right to
25 effectuate its purchase, nullifying the attempt, if

1 that's what it was, of the trustee to sell the
2 equipment notes.

3 But that's a contract right or a right
4 of the beneficial owner. It is not something that
5 would cause the automatic stay to apply, unless you
6 want to argue that the notice of intent to purchase
7 the Class A certificates itself gave United the Class
8 A certificates, and then, of course, gave a right to
9 the Class A certificates, in which case the automatic
10 stay would have prevented the sale. But that's
11 really a subdivision, if you will, of the notion that
12 the demand was effective to give rights to United to
13 prevent the sale. If that was the case, you don't
14 need the automatic stay.

15 MR. KIESELSTEIN: Well, I don't think
16 it is putting the cart before the horse, Your Honor.
17 The rationale for the ruling is a de minimus holding.
18 Maybe not even de minimus holding, but a holding that
19 does not carry with it a quantum of control over the
20 property in interest, here the equipment notes. That
21 if that's the rationale, then by virtue of hundred
22 percent ownership of these notes by -- a vested
23 contractual right to exercise the buyout, which in
24 fact was in the process of being exercised, puts
25 that -- United in that circumstance, in a completely

1 different category than the one of many theoretical
2 holders of a trust you discussed.

3 THE COURT: All right.

4 Mr. Kieselstein, your argument requires me to find
5 that the purchase demand that United made was
6 effective to give United control over the equipment
7 notes, and that proposition is one that is not
8 addressed, was not addressed in the ruling that I
9 made earlier.

10 The ruling that I made earlier was
11 premised on the proposition that a beneficial
12 interest in the trust brought the trust res into the
13 bankruptcy estate. And I'm quite convinced that I
14 was mistaken in ruling that way. It does not do
15 that. It only brings in the beneficial holder's
16 interest.

17 Now you may be right that in this case
18 that beneficial interest carried with it this right
19 to purchase the shares -- excuse me, the certificates
20 of the A tranche, and when the attempt was made to
21 sell the res of that trust there was a violation of
22 the automatic stay. But as I say, in my opinion
23 that's a new issue. It is subordinate to your
24 contract issue, your rights under the trust
25 agreement. And so I would address it in further

1 consideration of the motion. It would not change the
2 ruling that I've made today.

3 MR. KIESELSTEIN: All I'm saying, Your
4 Honor, is that I don't believe the answer to the
5 question turns on whether the adequate protection
6 stipulation was violated or not violated by this
7 sale.

8 Let's assume for a moment it wasn't
9 violated. What I'm saying is the status of United as
10 hundred percent holder, having issued the notice of
11 forced buyout, puts them in a position where their
12 rights are such that they fall within the protections
13 of the automatic stay. And I am a little concerned
14 about where things stand at the moment. If the
15 equipment notes have been sold out from under United,
16 then that interest that the automatic stay would glom
17 onto is vaporized in a sense.

18 THE COURT: Well, you're making an
19 argument now that wasn't made earlier. There was no
20 reason for it to be made earlier because I accepted a
21 broader argument. If you're worried that some action
22 might be taken by the trustee or by the purported
23 owners, new owners of the equipment notes, that would
24 jeopardize United's possession of these aircraft, I
25 believe you're going to have to take some kind of

1 emergency injunctive action to prevent that from
2 taking place.

3 It may be that there is not going to
4 be any threatened action of that sort. I am not
5 going anywhere for the next couple of weeks. If
6 there is a need for an emergency motion to be
7 brought, that can certainly be done.

8 What I was going to suggest is that
9 the issues of United's right to gain control over the
10 equipment notes might be made part of the underlying
11 adversary proceeding and resolved in that context.
12 But that's up to you. If you want to continue to
13 argue that the automatic stay was violated by the
14 purported sale on a ground other than the one that I
15 ruled on earlier, the sort that you're making an
16 argument on right now, you're certainly free to do
17 that.

18 But I think that would require an
19 amendment of your motion, which didn't make the
20 precise argument that you're making now, and there
21 would have to be an opportunity for the trustee to
22 respond to that argument. But all I want to do now
23 -- and obviously this is something you haven't had an
24 opportunity to discuss with one another.

25 MR. KIESELSTEIN: Sure.

1 THE COURT: But I think what we need
2 to do at this point is to talk about what action
3 takes place in further resolution of the condition of
4 these 14 aircraft. I have a motion for summary
5 judgment right now that has the potential for being
6 rendered moot if the sale of the equipment notes is
7 affected. So we have to get some understanding of
8 how this matter should proceed.

9 With the assumption that you haven't
10 already talked about this, it might be a good idea to
11 give you an opportunity to do that and perhaps come
12 back next Tuesday.

13 MR. KIESELSTEIN: Well, let me suggest
14 this, Your Honor: As you know, that original motion
15 was filed on an emergency basis, basically the day we
16 found out about the sale. And we didn't enumerate,
17 frankly, all of the grounds at that time for why we
18 thought the sale was inappropriate.

19 THE COURT: Well, I think you've even
20 got a footnote in the motion explaining that you may
21 have other arguments.

22 MR. KIESELSTEIN: And what I think
23 would probably make sense for us to do is to file an
24 amended motion that enumerates all of our grounds,
25 including a refinement of our automatic stay

1 argument, as well as our other grounds besides the
2 contractual argument as to why the sale is invalid
3 and should be treated as such. And then we can tee
4 that up on the schedule for the next omnibus, I
5 suppose.

6 THE COURT: Well, that's fine, as long
7 as the new owner, if the sale is valid, will agree to
8 a stand still while that matter is being resolved.

9 MR. KIESELSTEIN: In fact, the
10 adequate protection stipulation on these planes
11 rolled over on the 15th of the month, and they would
12 not be able to pull the planes, which I don't,
13 frankly, think they are all that interested in doing,
14 until December 15th, which is on the virtual date of
15 the omnibus in any event.

16 THE COURT: All right. Well, look, I
17 am happy to issue the rulings that I have issued
18 today and continue the remaining matters to the
19 December 16th omnibus, if that's agreeable to
20 everyone.

21 MR. TOP: That's fine with us, Your
22 Honor.

23 THE COURT: Okay. That's what will be
24 done.

25 THE CLERK: There was a motion to file

1 documents under seal.

2 THE COURT: Yes, the motion to file
3 documents under seal is granted.

4 MR. KIESELSTEIN: So, Your Honor, now
5 that we have a predicate issue to our motion for
6 summary judgment, we will just roll that over, too, I
7 take it?

8 THE COURT: Obviously. Given this
9 issue, the summary judgment could not be granted.

10 MR. TOP: Thank you, Your Honor.

11 MR. KIESELSTEIN: I believe that takes
12 us to the Disney matter.

13 THE COURT: It does. Disney, Verizon,
14 et al, the tax indemnification question.

15 The issue that I would like to explore
16 today is whether parol evidence would be useful or
17 even necessary in resolving this question. And I
18 have a number of questions about Section 6(c) of the
19 tax indemnification agreement that I think need to be
20 addressed.

21 I think it's curious. The creditors
22 committee says, and I'm quoting from page two of
23 their memorandum, "both sides agree that the
24 provision is clear and unambiguous." But both sides
25 take completely opposite clear and unambiguous